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Congress of the United States House of Representatives

July 26, 2022

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The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Dear Secretary Yellen and Commissioner Rettig:

The Texas Permanent School Fund ("PSF") issues bonds under the Texas Bond Guarantee Program (the "BGP") for the construction of school facilities in the State. However, absent an administrative exemption, these bonds are subject to Federal restrictions that limit the ability of the BGP to issue additional bonds. Furthermore, as you likely are aware, Treasury last issued an exemption in 2010 (Notice 2010-5), which has to date ameliorated the realization of the Federal limitation.

However, recent inflationary pressures and increased borrowing costs have increased both the cost and demand for school construction projects in the State of Texas, thereby accelerating the realization of this limitation. These pressures have caused a surge in demand for the BGP that has shrunk the program's remaining capacity to guarantee bonds from over \$14 billion at the end of 2021 to a projected \$3.6 billion as of mid-June of 2022. If the surge for bond applications continues, as it likely will, the BGP's capacity will be exhausted by the end of the third quarter of this year and is just short of the next round of applications and approvals in November 2022.

For close to two years the PSF has been in discussions with the Internal Revenue Service ("IRS") over the issuance of an extension of the 2010 guidance, and I am pleased the IRS team has been working on finding a path forward.

Texas' public-school population is growing and the need for additional school facilities and expansions of existing facilities is of great concern to me. But what is more concerning is the possibility that because of inaction, more taxpayer dollars would be used to cover interest costs rather than the facility construction projects themselves that benefit children and families in the State of Texas.

The BGP has proposed to IRS that the limiting date in Notice 2010-5 be deleted altogether to provide the BGP with the capacity it needs to continue to guarantee bonds well into the future. If that solution cannot be achieved in the very near-term, prior to the fund reaching the currently set Federal limitation the alternative, temporary solution for the BGP would be to have the currently cited date in Notice 2010-5 amended to May 31, 2022, allowing the BGP to meet the increased capacity so urgently needed at this time.

Given that this issue has taken on a heightened sense of urgency, I would be very grateful if you would endeavor for its inclusion on the IRS' priority list of issues and work with the IRS team to issue a new Notice as quickly as possible. Because this has been done before I would expect that an extension of

existing Notice can be accomplished both quickly and efficiently. Furthermore, the issue has been discussed extensively with the appropriate officials at the Service.

Public education is the foundation of families and communities across the country and certainly in the State of Texas, as is every critical dollar that goes into fostering the education of our children. I sincerely appreciate your prompt attention to, and consideration of this request, and look forward to hearing from you at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Lloyd Doggett", is written over a printed name. The signature is stylized with a large, sweeping "L" and "D".

Lloyd Doggett

Cc: Lily Batchelder, Assistant Secretary of the Treasury (Tax Policy)
William M. Paul, Acting Chief Counsel, Internal Revenue Service